



newsletter

The management
Newsletter for all
industries involved
with bar-code
scanning and
related
technologies.

SCANNING, CODING & AUTOMATION NEWSLETTER • 11 Middle Neck Road • Great Neck, N.Y. 11021 • (516) 487-6370

Volume IV Number 5

January 1980

Our best wishes....

....for a happy, healthy, prosperous New Year for all.

1980 was less than a stable year for the economy, but evidence indicates it was a good year for those in the bar code scanning industry. Those companies which released their financial data showed record sales and profits. Indicators from privately-held companies suggested the same. The financial community has been looking kindly, if not enthusiastically, upon bar code scanning as a good investment in the future, and there is no reason to believe results will prove otherwise.

Other than the UPC/EAN applications, this still remains an industry of small companies with intensive R & D opportunities and a host of new products already realized and scheduled to come. The immediate prospect of new applications, including the standardized marking of outer shipping containers, promises even more significant growth during the next few years.

These new opportunities, for this most rapid accurate method for data entry, await the technological and marketing innovators who are always needed to lead the way.

We will continue to watch and report on developments.

The on-again, off-again....

....expanded nine-digit zip code proposed by the Postal Service has been postponed until June 1981. This new system, which proposes to add four additional digits to the present zip code, is designed to direct mail right into the pouches of the delivering mailman. The system involves a multi-step procedure including the printing and scanning of bar code symbols. The Postal Service projects a very significant annual savings for the mid to late 1980's when the system is fully operational.

The Postmaster General, however, seems to have been taken by surprise by the amount of opposition to the proposal. Converting to the nine-digit code involves an enormous expenditure by the business/commercial mailers and government agencies to change their computer records. Civil libertarians are afraid that the refined method of identifying smaller segments of the population will result in discrimination in some form. (This is, of course, inevitable, since the system will be designed to identify socio-economic groups broken down into individual neighborhoods, blocks and even buildings.)

Some members of Congress are very nervous about the new system and they are trying very hard to delay any decision. Our guess is that final approval will require more than an additional five months. To our knowledge the incoming Reagan administration has not taken any position on this proposal.

The meat and poultry industry....

....is struggling mightily to bring automation to their distribution systems with the incorporation of bar code symbols. One of the difficulties is that this is not a single industry with a common method of operation. The packers of red meat, broilers, turkeys, etc., have unique problems and constraints which resist bringing them all together under one system umbrella.

The problems are complex and include the coding of pre-packaged random-weight units of sale, frozen turkeys that may not be sold for six months, and outer-carton markings that must include weight and date. Added to this is the attempt to satisfy the needs of the scanning retailers and the proposed automation of the in-plant and distribution networks of the packers.

The Uniform Product Code Council has been trying to satisfy all requirements with one set of rules (Guidelines 11) but has recognized that may be impossible. So Guidelines 11 has been reissued, with minor modifications, with the understanding that it won't work for all, but will be suitable for most.

Meanwhile, Farmer Cullom of Richfood is still out front spearheading the efforts to adopt a uniform system for the marking of outer cartons using an 18-digit Interleaved 2 of 5 code. His proposed symbol would incorporate the UPC number, weight and date. That system seems only to await the formalization of the DSSG report, which will provide the required standards and specifications for size, location and printing tolerances.

Individual company systems that have been installed in this industry have demonstrated the economic value, and very high return on investment, resulting from data entry automation using bar codes. The adoption of industry-wide standards is expected to increase these benefits substantially. The high level of activity reflects the fear that increased installation of fragmented systems, lacking common standards and specifications, will inhibit the adoption of a uniform system. This goal seems to be moving closer and closer mostly due to those foresighted individuals who have been pushing and promoting standardization over the past few years.

Recognizing a new and significant market....

....in the automated supermarkets, MSI (Costa Mesa, CA) has introduced a portable data-entry system for direct store delivery (DSD) control.

Scanning retailers have been broadening their use of bar codes to record back-door deliveries with excellent results. By one store's account, fully 38% of all of the merchandise arrives directly from suppliers, bypassing the supermarkets' own warehouse and delivery. This is a natural extension of scanning automation by the supermarket and is almost certain to grow rapidly as outer shipping containers become source-symbol marked. This is another direct application of the work of the DSSG.

MSI has named Stanley Altice, Jr., as program director of the Direct Store Delivery program and he will be responsible for the development of hardware and software as well as market planning, strategy and marketing support.

And just where is....

....the Distribution Symbology Study Group (DSSG) and its final report? Bill Maginnis, Chairman, reports that the final draft of the Committee's recommendations is expected to be completed by the end of January '81. The Uniform Product Code Council has been reported to be waiting in the wings to adopt these recommendations just as quickly as the details can be worked out. UPCC has been monitoring the final report and is fully aware of its contents.

The EAN countries have been watching and participating unofficially through the various trade groups, and hopefully there will be system uniformity among the UPC/EAN countries. Draft specifications are under consideration by the British Fiberboard Packaging Association and indications are that they are moving in a direction similar to the DSSG.

It wasn't too long ago....

....that the industry was struggling to bring the number of new UPC scanning installations up to a total of 50 per month. Contrast that with October of this year when NCR alone installed 103 systems, the first company to break the 100 mark in any single month. This brought the company's grand total to more than 1100 NCR scanning supermarkets. Included as a large piece of that total is the 250 NCR-equipped stores installed by Winn-Dixie in 13 southeastern states. This supermarket chain has now reached the half-way mark in their program to convert 500 of their 1207 outlets to UPC scanning by 1982.

NCR has also announced their plans to consolidate development and production activities for food store terminals and scanners at a new engineering and manufacturing facility in Liberty, SC by 1982.

Overall, the scanning scoreboard looked like this at the end of October 1980:

	October 1980		Total 10/31/80	
	#	%	#	%
NCR	103	53.1	1116	39.2
IBM	34	17.5	865	30.4
Datachecker	22	11.3	533	18.7
Sweda	12	6.2	174	6.1
Data Terminal Systems	23	11.9	150	5.3
DataCash	--	--	6	.2
Total	194	100.0	2844	100.0

In discussing UPC/EAN compatibility....

....(SCAN Dec 80) we were too quick to state that all UPC installations will not read EAN symbols. We were concentrating on the slow movements of NCR and IBM in this regard.

Data Terminal Systems has properly pointed out to us that they made a decision a few years ago to sell scanning systems which accommodate both EAN and UPC, and that the 200 installations using the DTS 540 Scan-alone systems will read both. Our apologies for the oversight, and congratulations to the company for their foresight.

We don't usually comment about the promotional literature of the hardware suppliers, but the new booklet by DTS titled "You Can Afford To Scan" is a pretty effective piece. You can get your copy by writing to DTS, 124 Acton Street, Maynard, MA 01754. They're asking \$5.00 to cover publication and mailing costs, but if you are a potential customer, I'll bet they'll let you have it for free.

A recent letter....

....sent to the industry by the Uniform Product Code Council seemed very defensive about symbols that do not scan and the need for verification equipment. The stated purpose of the letter was to "clarify the Code Council's position on the need for symbol verification". The letter goes on to state that the UPCC takes no position on any particular piece of verification equipment and that it is not aware of any "widespread epidemic of symbols failing to scan".

The Information Exchange established by the Council has reported only 616 problem packages and states that many of those problems involve coding rather than symbol errors. Among the more interesting statements in the letter: "It is the position of the Code Council that there should be no specific rejection criteria for printed symbols. If a symbol is printed in accordance with the provisions of the UPC symbol specification's manual, it has been printed correctly. A symbol printed correctly may fail to scan on a particular piece of equipment for many reasons having no relationship to the quality of the printed symbol."

Comment

We do not know the reason for the issuance of this letter. It might be a reaction to some of the ads and promotions by verification equipment companies -- particularly Symbol Technologies -- which are attempting to create a scare situation with regard to non-scannable symbols. The letter is confusing in its intent, and does not clearly state the policy and position of the Code Council re: non-scanning symbols and verification. It is just possible that there may have to be a clarification issued of this clarification.

While the use of retail scanning....

....in West Germany is expanding (22 stores and about 60% source-marked items) a significant step was taken confirming that there are no legal restrictions in that country prohibiting the removal of item prices.

As now stated by the Ministry of Economic Affairs, prices can be removed from the individual items so long as there is a clearly marked shelf label. This is expected to increase the attraction of scanning for the supermarkets, some of whom are expected to test item price removal.

While on this subject, a recent U.S. study by Progressive Grocer Magazine reports that consumer awareness of prices is surprisingly low, even in those stores where every item is price marked. The worst levels of price awareness

seem to be associated with some of the most commonly purchased items such as coffee, cereal, soft drinks and detergents. In their consumer survey, Progressive Grocer found that prices guessed for some of the products varied from less than half the actual price to more than three times.

It is still going to be very difficult to remove this issue from the emotional response from some consumer and labor groups in the U.S. Our European friends seem to have learned from our experience.

RJS Enterprises....

....has officially dropped the other shoe. Following its dispute with Photographic Sciences (SCAN Oct 80; Nov 80), this Monrovia, CA company took over the direct sale of verification equipment through its own marketing organization (largely staffed by ex-Photographic Sciences' personnel).

Now the company has announced that it is producing and selling film masters for UPC, EAN and other industrial symbologies. Every film master will be shipped with a verification printout.

The company has also announced its intention to open other sales offices in the U.S. and to establish a dealer network in Europe and Asia. The first appointment outside the U.S. is Stork Screens Graphics of Boxmeer, Holland. This company has been granted an exclusive license to produce and sell film masters and to market and service verification equipment worldwide, excluding the U.S., Canada, United Kingdom and the Scandinavian countries.

A very ambitious road-show....

....has been announced by Photographic Sciences covering 11 cities with 19 seminars in six weeks. Starting in the Northeast, and criss-crossing the country, the seminars will cover new bar code symbols for corrugated containers and new applications for UPC bar codes.

There will be two speakers for each half-day seminar, drawn from a panel that includes Richard Mindlin of the Uniform Product Code Council, Bill Maginnis of Hunt Wesson Foods (and Chairman of DSSG) and Ed Shadd of Symscan. The cost of the half-day sessions is \$65.00 per person and they are scheduled from January 29th through March 13th. For further details contact Photographic Sciences Corporation, Box 338, Webster, NY 14580; Rose Marie Garofalo, 716/265-1600.

The year-end financial report (preliminary)....

....of Symbol Technologies is more than a little optimistic about the company's future. Shelley Harrison, Chairman and CEO of the Hauppauge, NY company, has sprinkled his report with phrases such as "substantial progress"; "significant growth"; "vigorous sales growth"; "continued dynamic growth"; etc.

Actually he does have much to be pleased about. The company recently completed an additional public offering raising \$2¼ million for expansion. Sales for the 12 month period ended August 31, 1980 were \$2,390,000 compared with \$841,000 for the previous fiscal year. A loss of \$100,000 was reported, compared to the previous year's loss of \$540,000. This loss represents \$.05/share for fiscal year 1980 compared to \$.32/share for fiscal year 1979.

The company is in the process of raising additional funds through local county industrial revenue bonds, and plans to use the proceeds to build new corporate headquarters and production facilities. Reflecting this growth and optimism, the year-end quote by NASDAQ for Symbol Technologies' stock was \$10.00.

The company has also formed an overseas subsidiary, Symbol Technologies International which will be located in Brussels and handle all of the marketing activities in Europe. Heading up the Brussels office will be Paul Berge, formerly marketing manager for Plessey Ltd. in Brussels.

Some new equipment and devices....

....announced this past month:

- MEKontrol (Northboro, MA) announces the Mini-mek, a small rugged retro-reflective LED limit switch.
- Scanmark/Markem (Keene, NH) is now marketing their model U-1273 label printer for Code 39. The unit is priced at \$4,936 (with up to 25% discount for 50 or more) which is less than half the cost of their previous Code 39 label printers. The new unit has eliminated such frills as a keyboard and other accessories and it is intended for fixed applications with dedicated printing of standard formatted bar code labels.
- A new model supermarket code labeller has been announced by Vidac (Concord, CA) for printing the full 10-digit UPC (A version) and EAN-13 symbols. Previous Vidak labellers printed the short versions only.

The final offering....

....for Interface Mechanisms' sale of additional stock included 225,000 shares for the company and 25,000 shares for some of the stockholders. The offering price was settled at \$15.75/share. The year end price of Intermec stock, as quoted by NASDAQ was \$17.00.

Another fine reference source....

....has been published, this one by MSI. Titled "Bar Code Scanning" it covers the principles and applications of scanning and is chock full of illustrations. The chapter headings include: How contact scanners work; Barcode structure; Characteristics of popular barcodes; Barcode printing; Barcode label design criteria.

Although MSI is significantly mentioned and represented, the 64-page booklet does provide a decent, factual reference document for non-retail contact scanning. Unfortunately, there is the significant omission of any detailed explanation of remote (laser) scanning principles and equipment (MSI only makes wand scanners). It remains for someone else to fill in with a laser scanning supplement. For your free copy: MSI Data Corp, 340 Fischer Ave., Costa Mesa, CA 92626; 714/549-6000.